



Iowa Property Taxes

Legislative Property Tax Committee
November 7, 2007



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Data Provided by: The Iowa Department of Management



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Purpose:



To explain city budgets:
Revenues and Expenditures

To show specifics on property taxes, which are contained in the General Fund





Legislative 2008 Priorities

- City Revenue Alternatives
- Infrastructure Funding
- Economic Development Initiatives
- Control Pension Costs

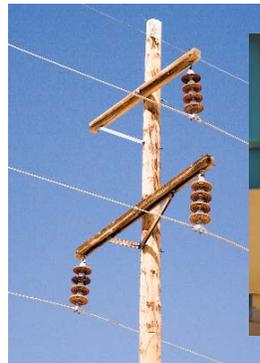
About the League's Priorities

The Iowa League of Cities policy committee participated in a thorough evaluation process to determine the League's top legislative priorities. Members adopted four priorities for 2008 that aim to create stronger, more vibrant Iowa communities. The yellow frames contain the exact priority language ratified by the Iowa League of Cities' membership in September 2007.

City Revenue Alternatives

1

Priority: Allow cities the authority to implement alternative revenue choices that fit the specific needs of the city. These revenue alternatives include, but are not limited to, increasing the hotel/motel tax up to 9%, imposing and collecting gas and electric franchise fees, and implementing a sales tax rebate for specifically defined economic development.



Background: The first step in the property tax reform effort is to give cities the ability to diversify their revenue sources. Cities must have additional revenues options to ensure their continued growth and to decrease their dependence upon property taxes. This requires the identification and authorization of additional optional revenue sources. Any of the three alternatives identified can provide a transition to cities looking to broaden their revenue options. The League supports any revenue alternative that will preserve city autonomy and will enhance and diversify city revenues.

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The Iowa League of Cities is the oldest, continuously operating municipal league in the country. Founded in 1898, the League is a not-for-profit organization that advocates for issues affecting cities throughout Iowa. The League provides wide-ranging services for cities including research, workshops, reports, publications, pooled investments, and risk management.



2 Infrastructure Funding

Priority: Support funding for transportation and water /wastewater infrastructure needs. The League supports the revenue approach as recommended by TIME-21 Interim Committee including increasing pick-up truck registration fees, statewide sales tax, and/or gas tax increase. The League also seeks to address water and wastewater infrastructure needs through additional state funding.



Background: Legislators will consider funding to support infrastructure needs in 2008. The Transportation Moves the Economy into the 21st Century (TIME-21) Fund was established during the 2007 session to create revenue for highway construction and maintenance. A study committee was created to identify revenue sources from which to generate funds. The League supports TIME-21 efforts.

Recent activity by the Department of Natural Resources to enforce the Clean Water Act has led to additional requirements for Iowa's wastewater treatment facilities. In addition, each year more of Iowa's water treatment facilities are in need of replacement or repair. These aging infrastructure issues must be addressed. The League supports additional funding for Iowa's infrastructure needs.



3 Economic Development Initiatives

Priority: Preserve or expand economic development initiatives available to cities at the state level through programs such as Vision Iowa, Great Places, and Community Attractions funding and to prevent any changes to tax increment financing that would impair its use as an economic development tool.

Background: Cities drive economic development initiatives in Iowa. Over the past several years, the state and its local governments have enjoyed unprecedented success by cooperating on innovative projects that have enhanced the quality of life in Iowa. Vision Iowa, Great Places and Community Attractions, the programs utilized to fund these community projects, need continued support. Tax increment financing is the primary tool available for local economic development. The League opposes any changes that would impair its use.



4 Control Pension Costs

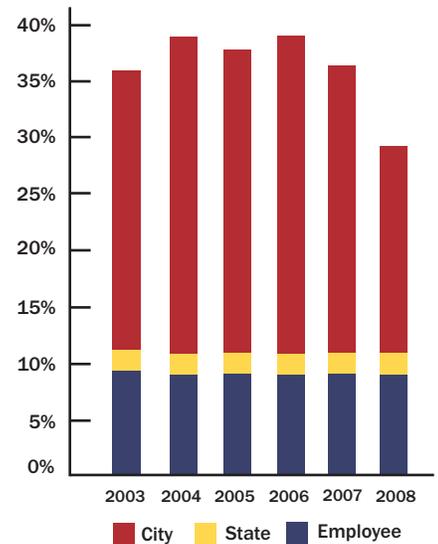
Priority: Control public pension costs – limit any increased requirements imposed upon local governments relating to public pension costs, including state support of Municipal Fire and Police Retirement System (MFPRS).

Background:

In 2008, Legislators will address numerous pension issues. The League's members want to ensure the integrity, and long term sustainability of the state pension systems, while controlling significant costs that affect their citizens.

The current Municipal Fire and Police Retirement System (MFPRS) funding distribution falls heavily on the shoulders of cities. The League advocates a fair funding distribution between employer, employee and state.

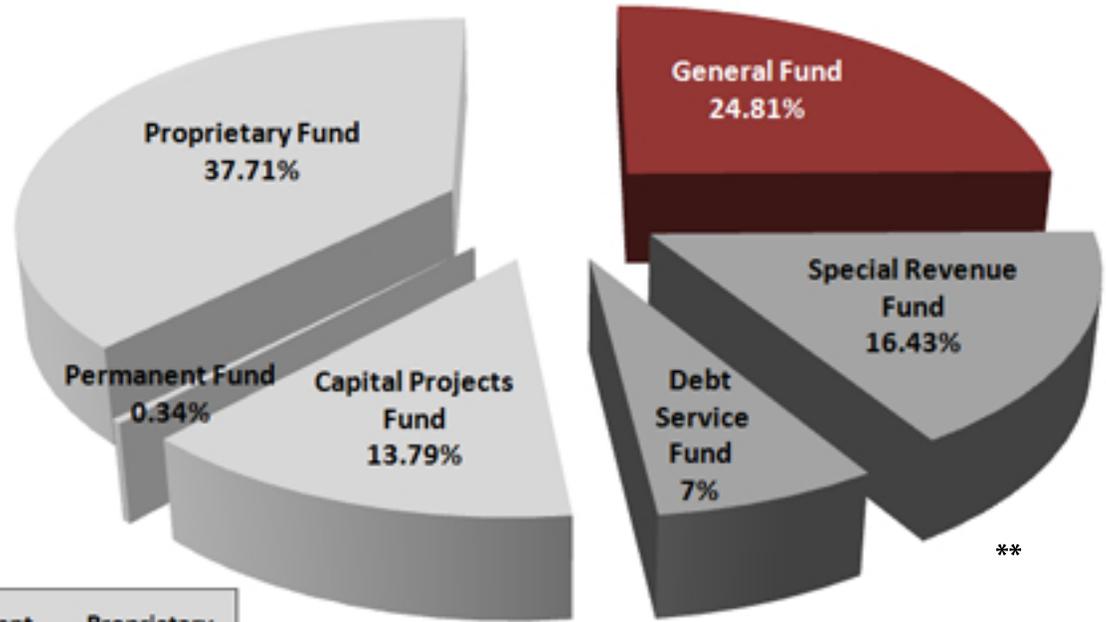
MFPRS Funding Contributions





Cities Total Revenues and Expenditures in Fiscal Year 2008*

Property Taxes contribute largely to cities' General Funds



Revenue Categories Specified

General Fund	Special Revenue	Debt Service	Capital Projects	Permanent	Proprietary
Net Current Property Tax	Net Current Property Tax	Net Current Property Tax (Small Amt.)	Net Current Property Tax (Small Amt.)	Use of Money & Property	Licenses & Permits
Other City Taxes	TIF Revenue	Other City Taxes	Other City Taxes	Fees and Service	Use of Money & Property
Licenses & Permits	Other City Taxes	Use of Money & Property	Use of Money & Property	Miscellaneous	Intergovernmental
Use of Money & Property	Licenses & Permits	Intergovernmental	Intergovernmental	Other Financing Sources	Fees and Service
Intergovernmental	Use of Money & Property	Fees and Service	Fees and Service		Special Assessments
Fees and Service	Intergovernmental	Special Assessments	Special Assessments		Miscellaneous
Special Assessments	Fees and Service	Miscellaneous	Miscellaneous		Other Financing Sources
Miscellaneous	Special Assessments	Other Financing Sources	Other Financing Sources		
Other Financing Sources	Miscellaneous				
	Other Financing Sources				

Expenditure Categories Specified

General Fund	Special Revenue	Debt Service	Capital Projects	Permanent	Proprietary
Public Safety	Public Safety	Debt Service	Capital Projects	Public Safety	Business Type Activities
Public Works	Public Works			Public Works	Enterprise and Budgeted ISF
Health and Social Services	Health and Social Services			Health and Social Services	
Culture and Recreation	Culture and Recreation			Culture and Recreation	
Community and Economic Development	Community and Economic Development			Community and Economic Development	
General Government	General Government			General Government	
Debt Service	Debt Service			Debt Service	
Capital Projects	Capital Projects			Capital Projects	

*Line item 40(A-F) for revenues on FY08 Adoption of Budget and Certification of City Taxes Form

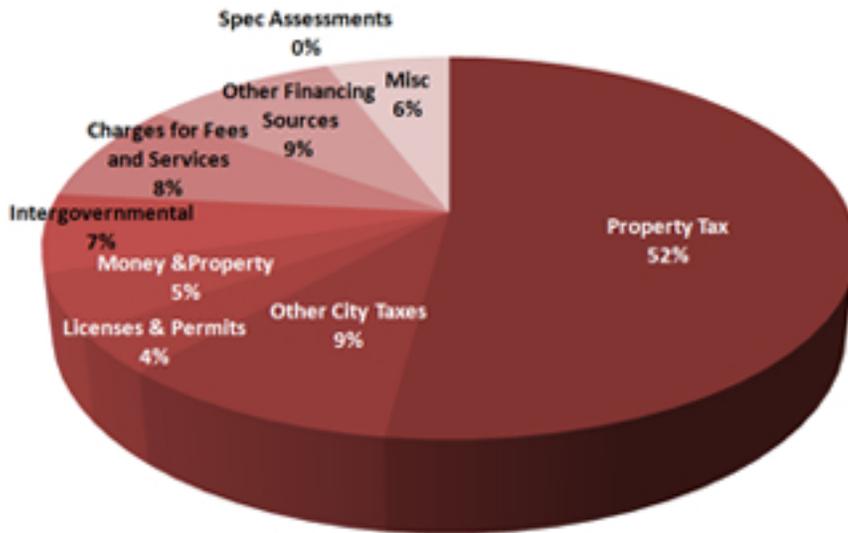
**Chart based on Revenues, limited fund moving occurs before the expenditure process

** Property Taxes also contribute to the Special Revenue and Debt Service Fund

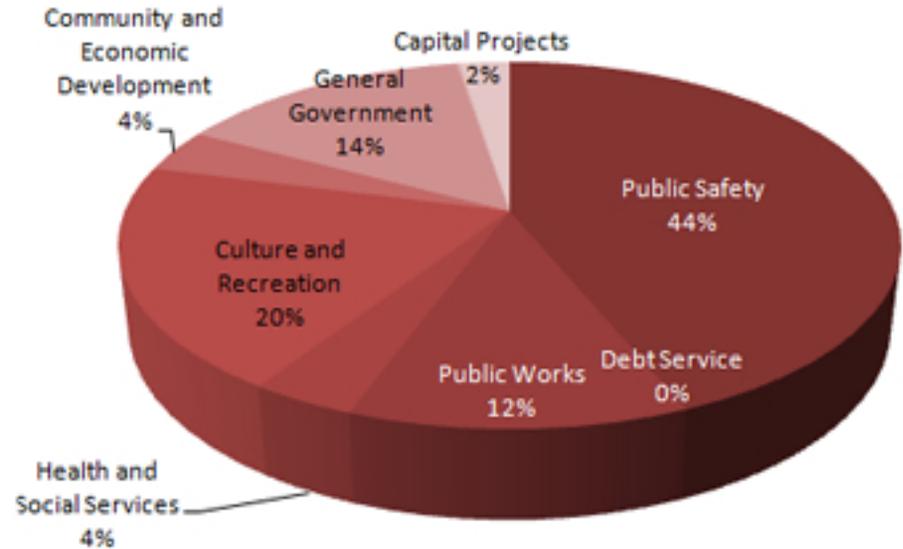


General Fund Revenues and Expenditures for all Cities in Iowa

Revenues



Expenditures*



General Fund Revenues	Total Revenues	Percent of Total
Property Tax	\$546,137,346	52%
Other City Taxes	\$99,388,851	9%
Licenses & Permits	\$36,710,466	4%
Money & Property	\$50,999,538	5%
Intergovernmental	\$69,599,340	7%
Charges for Fees and Services	\$88,817,453	8%
Other Financing Sources	\$94,659,139	9%
Spec Assessments	\$1,246,167	0%
Misc	\$60,717,589	6%

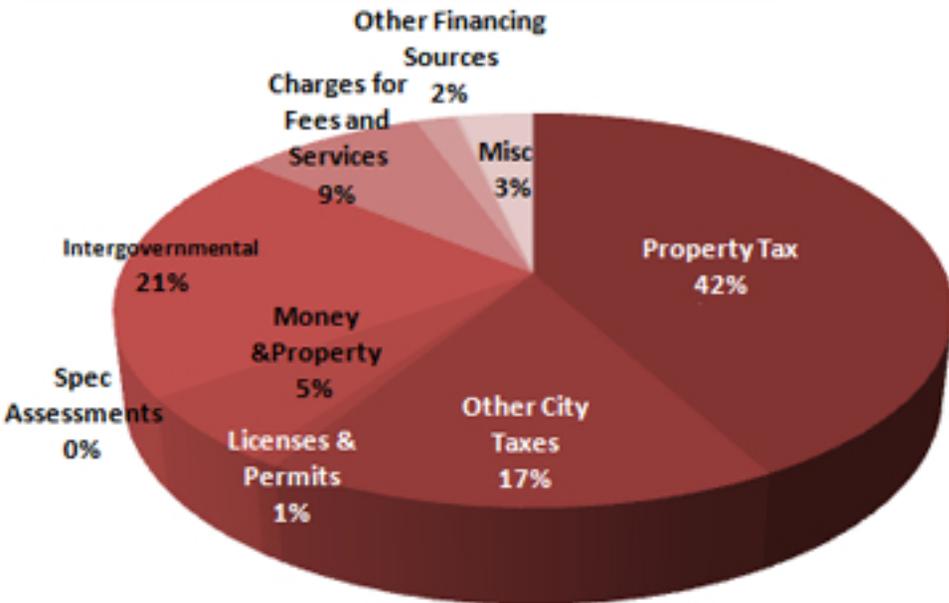
General Fund Expenditures	Total Expenditures	Percent of Total
Public Safety	\$559,684,358	43.8%
Public Works	\$150,639,896	11.8%
Health and Social Services	\$47,124,000	3.7%
Culture and Recreation	\$252,510,187	19.8%
Community and Economic Development	\$48,650,150	3.8%
General Government	\$185,836,465	14.5%
Debt Service	\$1,705,934	0.1%
Capital Projects	\$31,780,008	2.5%

* See these categories explained in detail on pages 11 & 12

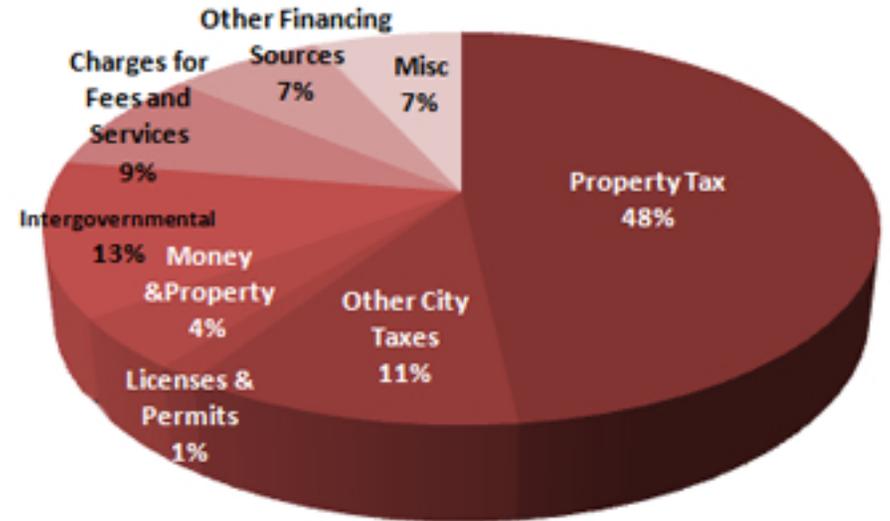


General Fund Revenues by City Size

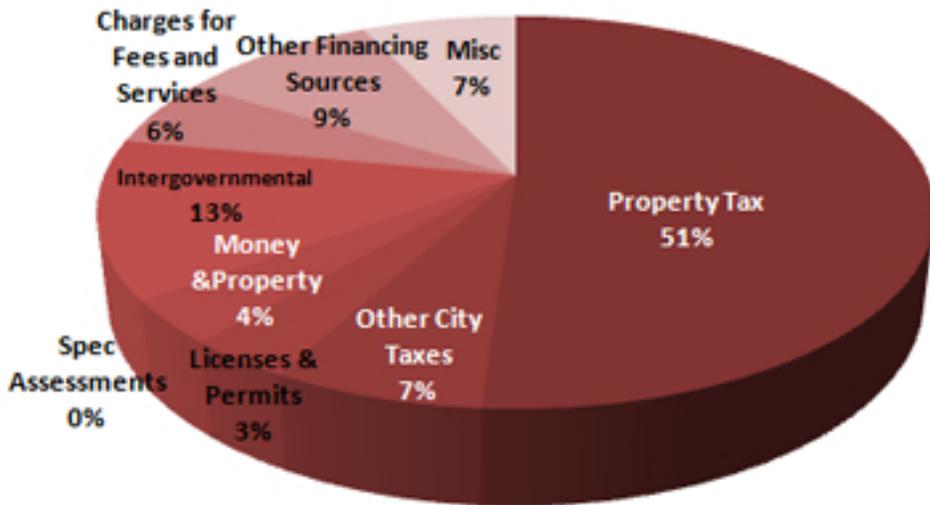
*See Page 7 for Specific Tables accompanying these pie charts



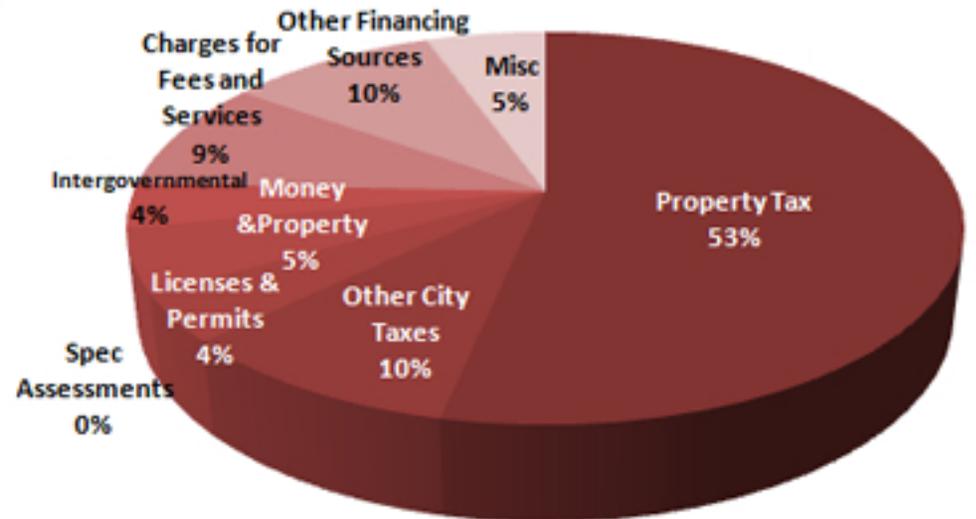
Total Revenues, Population 0-499
Representing 479 Cities



Total Revenues, Population 500-1,999
Representing 313 Cities



Total Revenues, Population 2,000-7,999
Representing 111 Cities



Total Revenues, Population 8,000+
Representing 44 Cities



General Fund Revenues by City Size

*See Page 6 for pie charts that match these tables

Total Revenues, Population 0-499
Representing 479 Cities

General Fund Revenues	Total Revenues
Property Tax	\$14,082,219
Other City Taxes	\$5,607,338
Licenses & Permits	\$282,843
Money &Property	\$1,800,350
Intergovernmental	\$7,022,527
Charges for Fees and Services	\$2,865,716
Other Financing Sources	\$604,298
Spec Assessments	\$69,896
Misc	\$1,147,878

Total Revenues, Population 500-1,999
Representing 313 Cities

General Fund Revenues	Total Revenues
Property Tax	\$50,873,060
Other City Taxes	\$11,643,161
Licenses & Permits	\$1,432,713
Money &Property	\$4,473,721
Intergovernmental	\$13,457,485
Charges for Fees and Services	\$8,974,633
Other Financing Sources	\$7,449,940
Spec Assessments	\$128,558
Misc	\$7,131,945

Total Revenues, Population 2,000-7,999
Representing 111 Cities

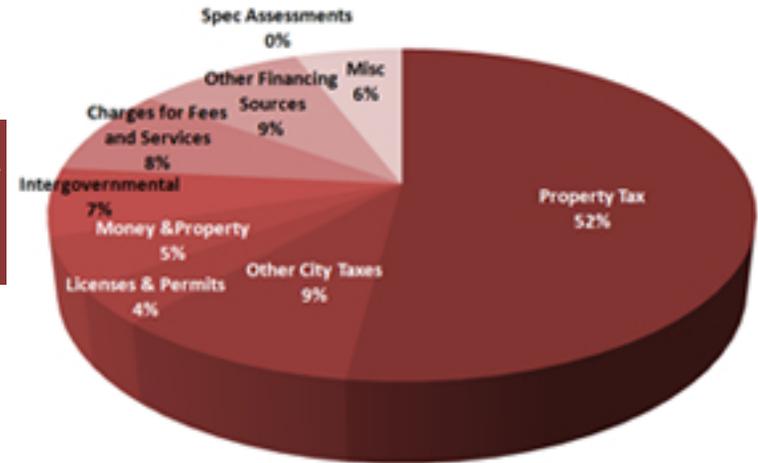
General Fund Revenues	Total Revenues
Property Tax	\$86,956,147
Other City Taxes	\$11,742,189
Licenses & Permits	\$5,804,956
Money &Property	\$6,124,328
Intergovernmental	\$22,244,567
Charges for Fees and Services	\$9,489,248
Other Financing Sources	\$15,693,419
Spec Assessments	\$129,763
Misc	\$12,072,350

Total Revenues, Population 8,000+
Representing 44 Cities

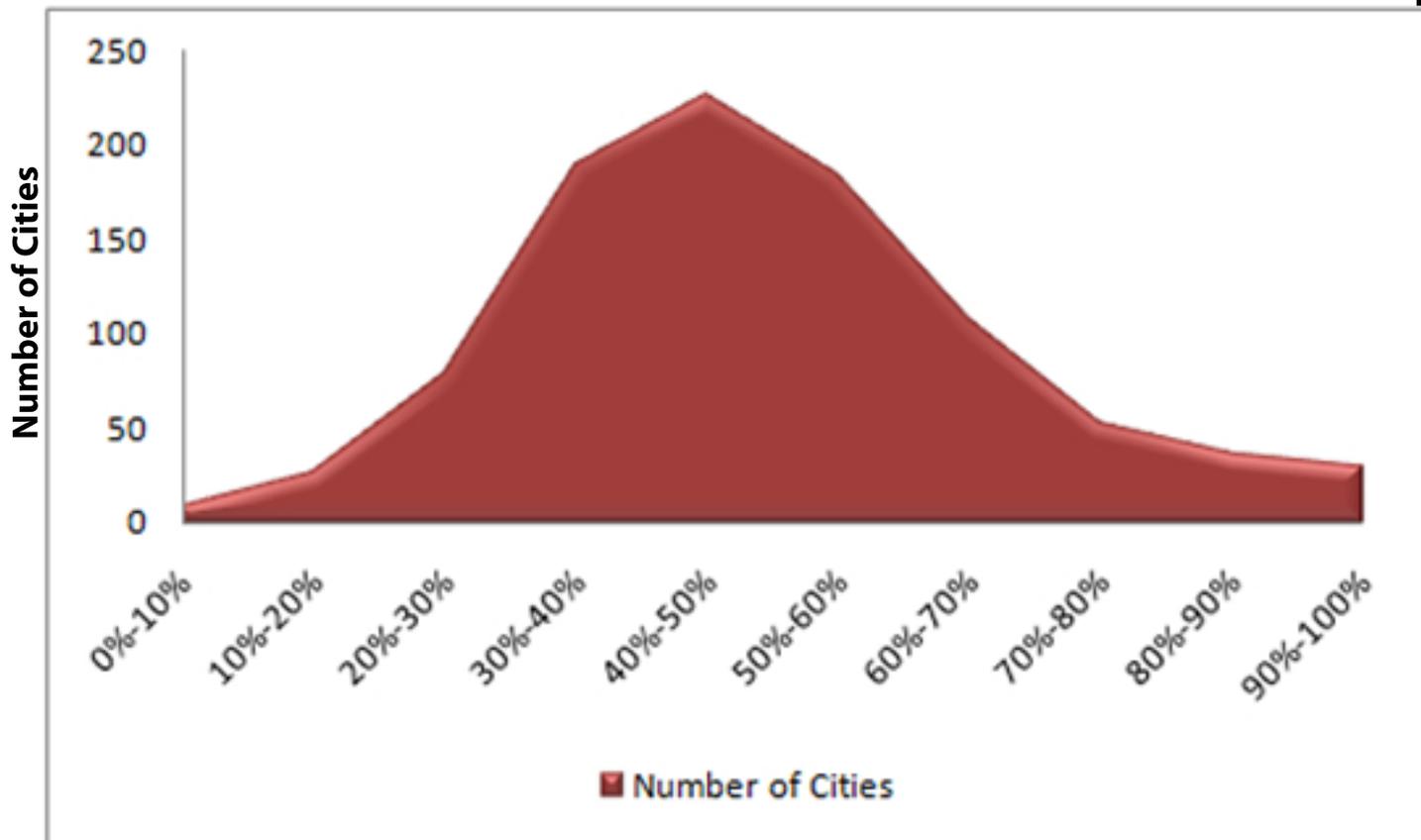
General Fund Revenues	Total Revenues
Property Tax	\$394,225,920
Other City Taxes	\$70,396,163
Licenses & Permits	\$29,189,954
Money &Property	\$38,601,139
Intergovernmental	\$26,874,761
Charges for Fees and Services	\$67,487,856
Other Financing Sources	\$70,911,482
Spec Assessments	\$917,950
Misc	\$40,365,416



Property Taxes make up on average about 52% of the General Fund Revenues. The Graph below shows the breakdown of the percentage of each cities General Fund Revenues that is comprised of Property Taxes.



Percentage of Cities General Fund Revenues comprised of Property Taxes



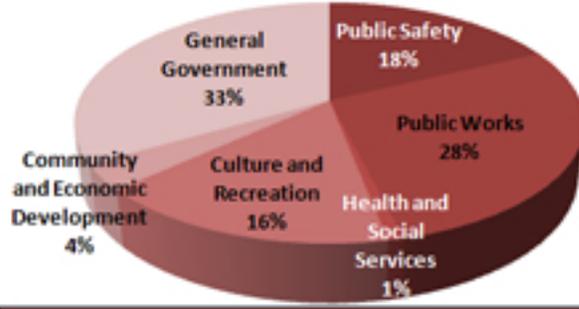
The Average of All Cities' Revenues
(Also shown on page 5)

Although a few cities fall below the average, the majority of Cities' rely heavily on Property Taxes in order to support their necessary General Fund Activities



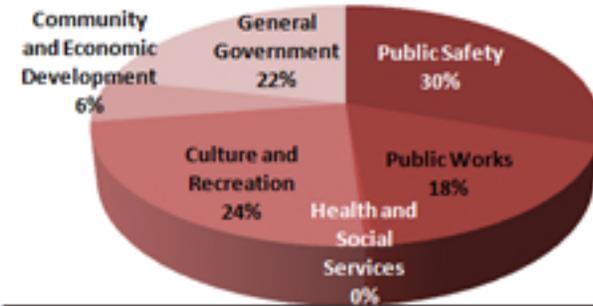
General Fund Expenditures by City Size

Total Expenditures, Population 0-499
Representing 479 Cities



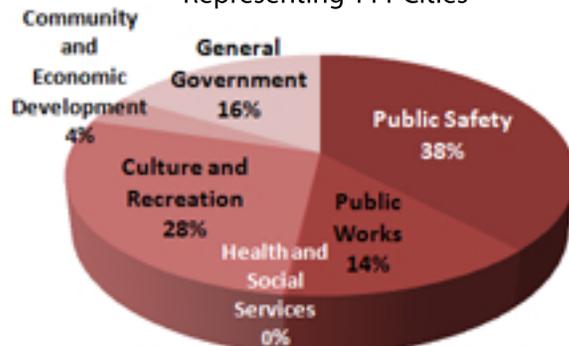
General Fund, Population 0-499	Total Expenditures
Public Safety	\$6,444,771
Public Works	\$10,182,010
Health and Social Services	\$307,567
Culture and Recreation	\$5,886,924
Community and Economic Development	\$1,240,917
General Government	\$12,009,231

Total Expenditures, Population 500-1,999
Representing 313 Cities



General Fund, Population 500-1,999	Total Expenditures
Public Safety	\$36,900,871
Public Works	\$22,102,931
Health and Social Services	\$564,263
Culture and Recreation	\$28,619,430
Community and Economic Development	\$7,054,783
General Government	\$26,347,100

Total Expenditures, Population 2,000-7,999
Representing 111 Cities



General Fund, Population 2,000-7,999	Total Expenditures
Public Safety	\$74,263,865
Public Works	\$26,959,444
Health and Social Services	\$436,719
Culture and Recreation	\$54,216,203
Community and Economic Development	\$7,819,969
General Government	\$32,094,196

Note: Capital Projects and Debt Service were intentionally left out of these graphs, as they make up such a small percentage of each population groups overall expenditure

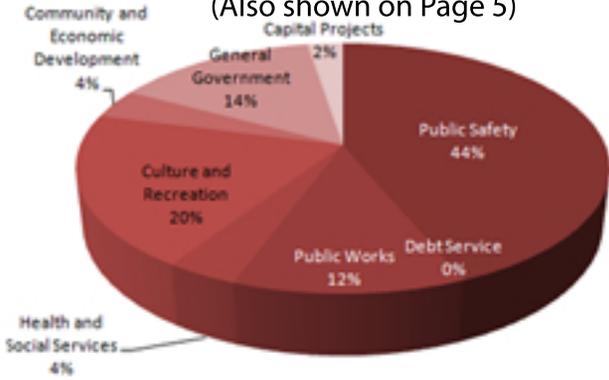
Total Expenditures, Population 8,000+
Representing 44 Cities



General Fund, Population 8,000+	Total Expenditures
Public Safety	\$442,074,851
Public Works	\$91,395,511
Health and Social Services	\$45,815,451
Culture and Recreation	\$163,787,630
Community and Economic Development	\$32,534,481
General Government	\$115,385,938

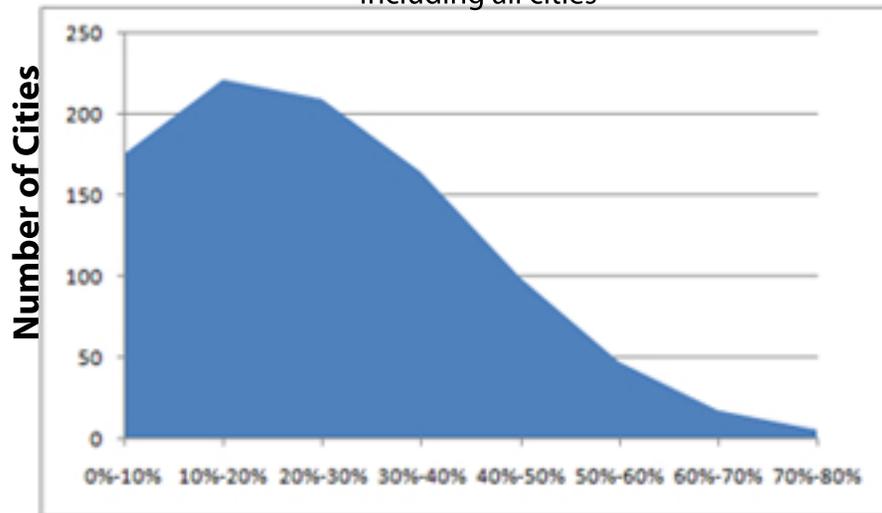


The Average for All Cities' Expenditures
(Also shown on Page 5)



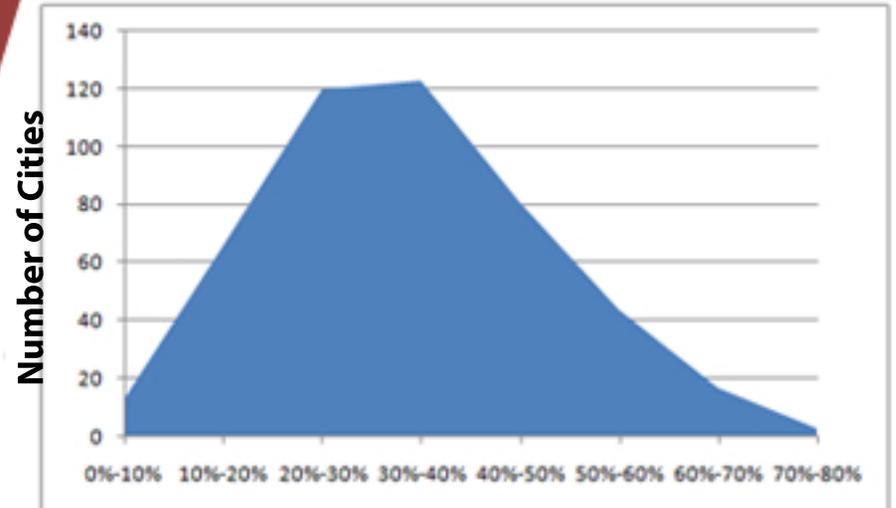
Public Safety makes up on average about 44% of the General Fund Expenditures. The Graphs below show the breakdown of the percentages of each cities General Fund Expenditures that are used towards Public Safety.

Percentage of Cities Total General Fund Expenditures used towards
Public Safety
Including all cities



Cities with populations of less than 500 can use volunteer fire departments, and share police services with surrounding communities and the counties in which they are located. This eliminates a large portion of public safety expenditures for those communities. Of the cities with public safety expenditures below 20%, a large majority (80%) are cities with populations less than 500. The next graph eliminates these cities to better reflect the majority of city public safety budgets..

Percentage of Cities Total General Fund Expenditures used towards
Public Safety
Only including cities with over 500 in Population

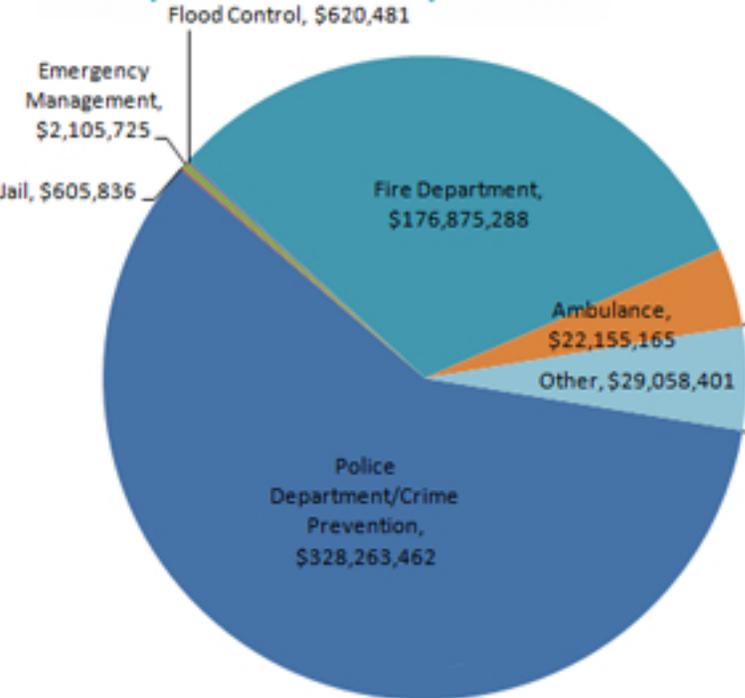


Iowa Property Taxes

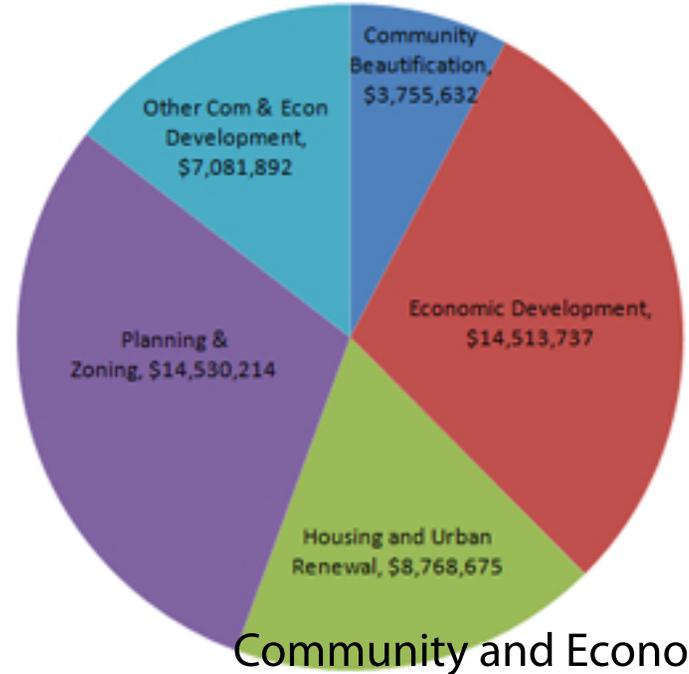
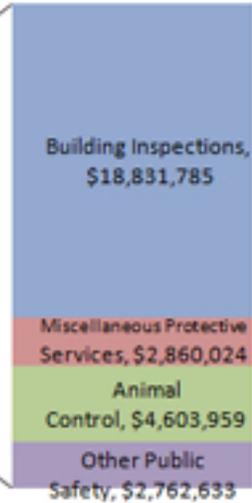


Municipal Revenues and Expenditures

General Fund Expenditures Specified

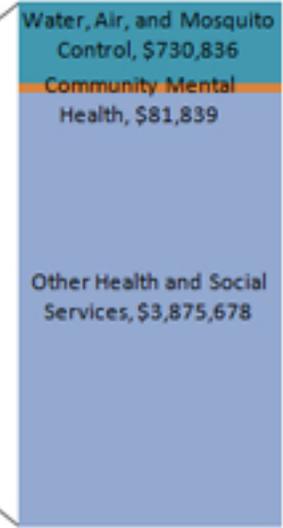
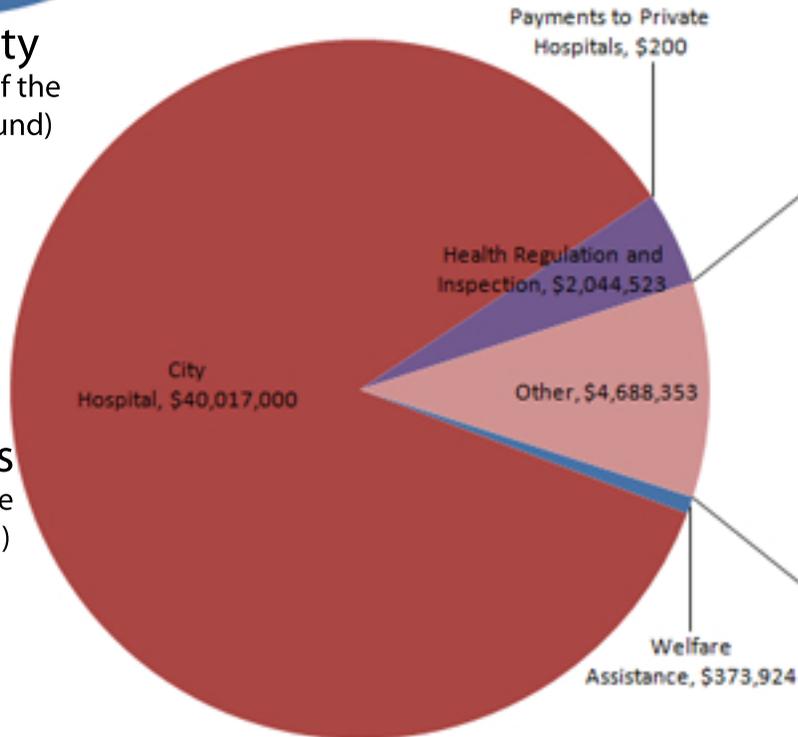


Public Safety
(Represents 44% of the overall General Fund)



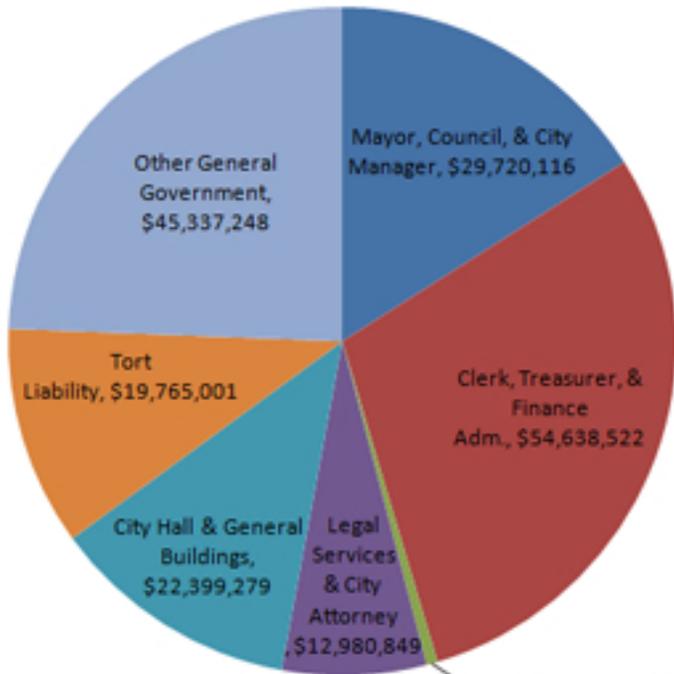
Community and Economic Development
(Represents 4% of the overall General Fund)

Health and Social Services
(Represents 4% of the overall General Fund)

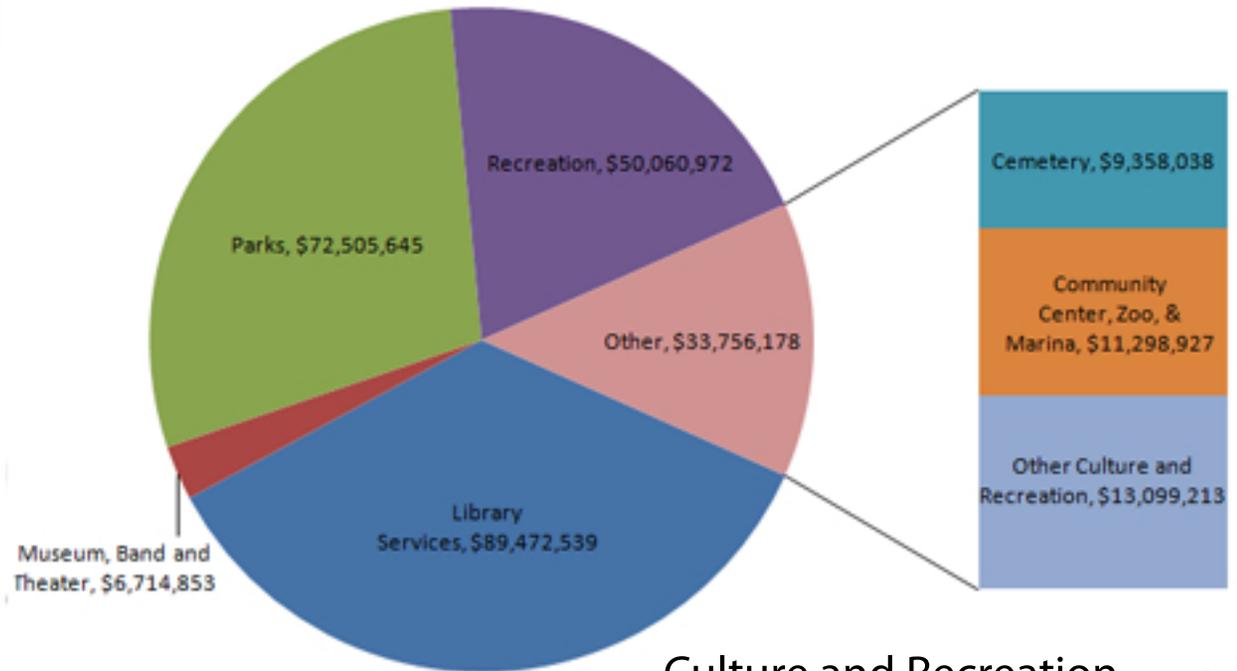




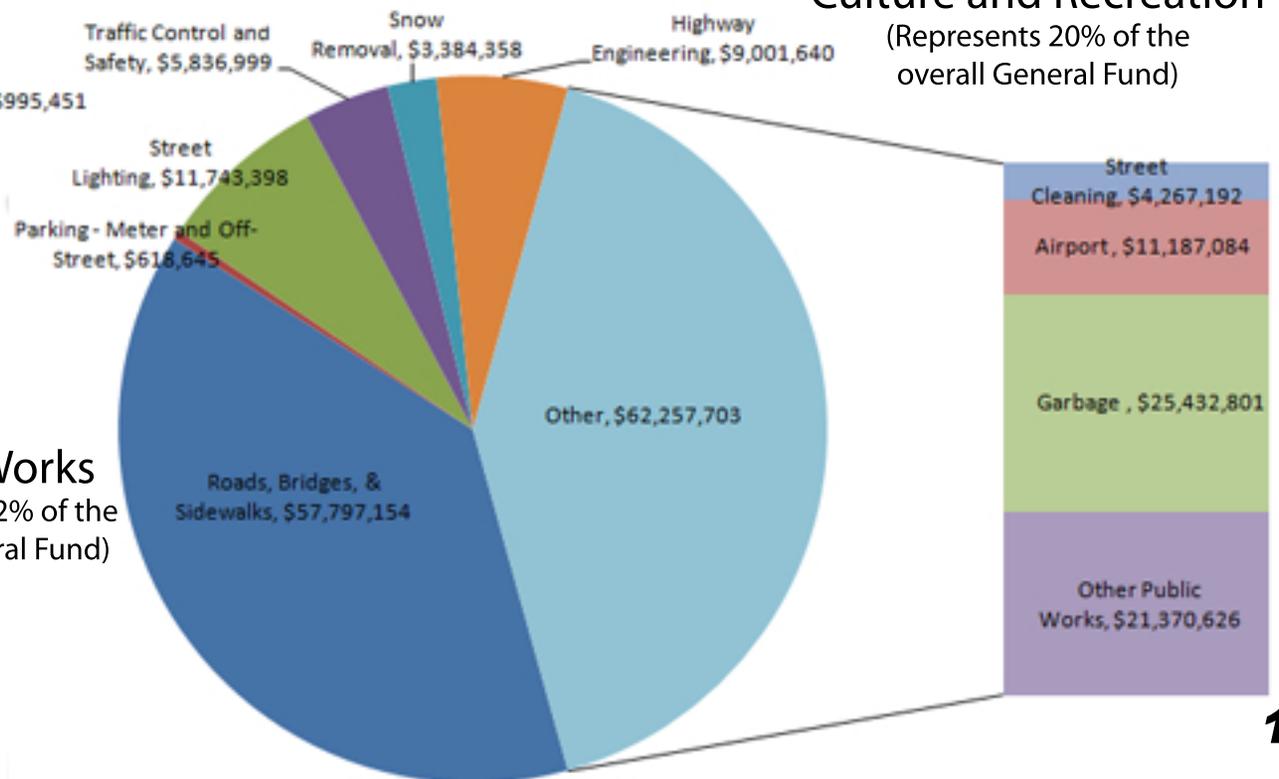
General Fund Expenditures Specified



General Government
(Represents 14% of the overall General Fund)



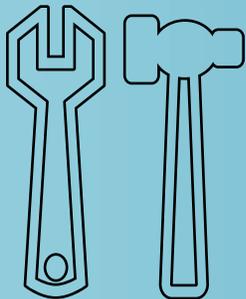
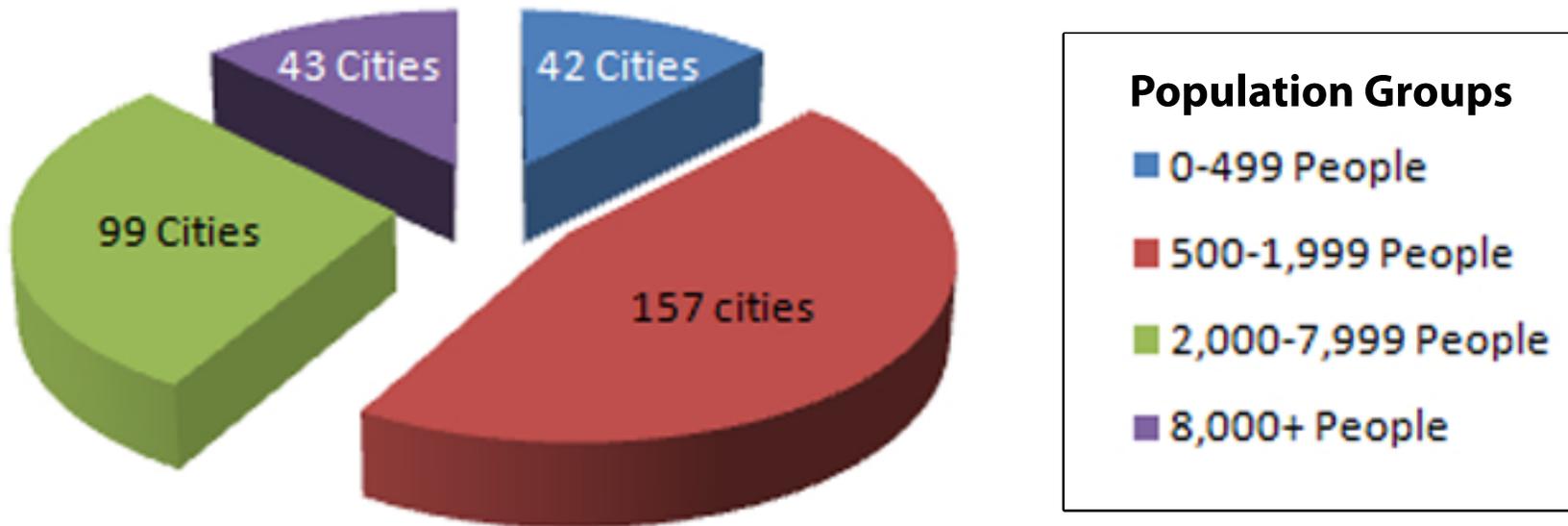
Culture and Recreation
(Represents 20% of the overall General Fund)



Public Works
(Represents 12% of the overall General Fund)



Percent of Cities in each Population Group Receiving TIF Money for FY2008



For Fiscal Year 2008 TIF money was distributed to over 341 cities around the state of Iowa.

List of Alternative Revenues

Taxes

- Transportation
- Tourism Related Taxes
- Sales and Gross Receipts
- Franchise
- Individual Income
- Corporate Income
- License Taxes
- Occupation Taxes
- Other taxes



Charges and Miscellaneous Revenue

- Education
- Hospitals
- Highways/Transportation
- Air Transportation
- Parking Facilities
- Sea and Inland Port Facilities
- Natural Resources
- Parks and Recreation
- Housing and Community Development
- Sewerage
- Solid Waste Management
- Leases
- Surplus Sales
- Permits
- Miscellaneous Fees

Other

- Utility Revenue
- Insurance Trust Revenue

Newton Shows How Alternative Revenues Work

One Alternative Revenue option for Iowa cities is a sales tax rebate tied directly to a specific event-driven or tourism-related project in a community. For example, Newton's speedway was made possible by carefully tailored legislation authorizing a state sales tax rebate beginning January 1, 2006. With the addition of the speedway, the implementation of a local option sales tax and increases in hotel motel tax revenues have generated new revenue for Newton, and for surrounding communities that also benefit from the local option sales tax distribution formula.

In addition to the \$101,235 Newton Earned in Hotel Motel Taxes, they also earned \$628,375 with its new local option sales tax

Hotel Motel Tax Earning from Fiscal Year 2007 to 2008

